

STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL SERVICES DIVISION  
P. O. BOX 942850  
Sacramento, CA 94250-5878

DATE: September 27, 2006

PAYROLL LETTER #06-017  
Civil Service Only

TO: All Agencies in the Uniform State Payroll System

FROM: DON SCHEPPMANN, Chief  
Personnel/Payroll Services DivisionRE: **BONUS PAY AND RETROACTIVE GENERAL SALARY INCREASE ADJUSTMENT PAY**

Pursuant to recently negotiated agreements and as authorized by the Department of Personnel Administration (DPA), the State Controller's Office will issue the one-time \$1000 bonus pay to eligible rank and file employees. Further, as authorized by DPA, the State Controller's Office will issue the one-time bonus pay to specified civil service managers, supervisors and other excluded employees. See the DPA Pay Letter 06-35 and Bonus Pay Differential 328 for further information including the eligibility criteria.

The bonus pay will be issued in the payroll cycle scheduled for the night of September 27, 2006 (issue dated 09/28/06). The pay adjustments resulting from the retroactive July 1, 2006 general salary increase will also be issued in that cycle creating summarized payments for many employees (i.e., the bonus pay and the adjustment pay should be combined into one payment). The release of all payroll output from the cycle will be delayed due to the significant number of adjustment/bonus payments involved. The State Controller's Office Administration and Disbursements Division will begin releasing the payrolls on September 30, 2006. The payrolls that are mailed will be the first group released and sent via the express mail service (i.e., one day delivery). Payrolls that are picked up will be available Monday, October 2, 2006, beginning of business.

The direct deposit process will not be affected by the above delay. Other than the supplemental green September 2006 master payments, direct deposit payments could be posted to employees' accounts starting September 29, 2006 through October 2, 2006 depending upon an employee's financial institution.

The bonus pay can be identified as Payment Type G, Payment Type Suffix D on the various payroll outputs/records and issued with the 07/2006 pay period. Per the Bonus Pay Differential 328 criteria, the employee's employment status as of June 30, 2006 is to be used to determine if an employee is eligible for the bonus pay. Accordingly, the position number as of the employee's June 30, 2006 employment status will be reflected on the bonus payments. For employees with multiple eligible positions, the position number with the greatest time base will be used for the bonus pay. If the time bases for all eligible positions are equal, the bonus pay will then be issued under the position number with the lowest position sequence number.

The bonus pay is taxable income to the employee. The following taxes could be withheld depending upon the employee's tax status: federal income tax, state income tax, social security tax, medicare tax,

and state disability insurance tax. The aggregate tax withholding method will be used to compute the federal and state income tax amounts. The bonus pay is not subject to retirement withholdings and not included in the calculation of an employee's overtime, disability, and lump sum pay rates (see Bonus Pay Differential 328).

If an eligible employee has not received her/his bonus pay by October 15, 2006, submit a Form STD. 674, Payroll Adjustment Notice. Complete the Form STD. 674 as outlined in PPM Section G 105. Note, enter GD as the Earnings ID in Item 6B of the Form STD. 674.

Please direct questions on the bonus pay eligibility criteria to the department's DPA CCD analyst. Questions regarding the bonus payment process or the retroactive salary increase adjustment payments can be directed to PPSD's Payroll Liaison Unit at (916) 323-3081.

DS:LMS:PMAB